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**National Intelligence
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August 29, 1975

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PORUGAL

Portuguese Communist Party leader Alvaro Cunhal made a dramatic appeal last night for a summit conference of military and civilian political leaders for what he described as a last-minute effort to avert civil war.

Cunhal's appeal was made at a hastily assembled midnight press conference. He said that there was a real danger that a rightist government would be formed, that there was a growing feeling in the country that a recourse to force was inevitable, and that the only way to avoid the worst was to find a common political solution to the present crisis immediately.

He announced his party was prepared to meet with President Costa Gomes; members of the present Goncalves government; the military's Revolutionary Council, including the anti-Communist Antunes group; rival factions in the military; representatives of parties allied to the Communists; and, the Communists' archrival, the Socialist Party of Mario Soares. It would appear that Cunhal is concerned about Goncalves' staying power as prime minister, but he may also be maneuvering to avoid the onus for an armed showdown should one occur.

In addition to a limited number of military units that might support Goncalves in such a showdown, the Communists and allied leftists are reported by some sources to have 15,000 armed paramilitary men, although this may be a figure the Communists have deliberately circulated to frighten their opponents. Approximately half of this number are alleged to be in the immediate Lisbon area; the rest are widely scattered, some being as far away as Porto.

Costa Gomes' hesitancy to remove Goncalves has been attributed by some sources to the threat posed by these armed militants. There have been increasing signs in the past few days, however, that Costa Gomes now intends to take a tougher stand. On Wednesday, he warned the news media about adding to the present political tension. He was especially critical of a false report of a meeting between US Ambassador Carlucci and the anti-Goncalves faction.

The President cut short his speech to a pro-Goncalves demonstration the same evening because of harassment from the crowd.

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Top military leaders met throughout the day yesterday amid new reports that Costa Gomes would replace Goncalves. Shortly after midnight, the Portuguese radio announced that navy Chief of Staff Azevedo might soon be named prime minister, but such reports have been circulating in Lisbon all week.

As the crisis drags on, Cunhal's warning of civil war takes on added credibility.

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PANAMA

Panama's blast at the US at the nonaligned conference in Lima appears to be a display intended primarily for the Third World audience, and not an attempt to disturb relations with the US on the eve of another round of treaty negotiations.

Panamanian Minister Juan Tack celebrated Panama's admission to the nonaligned by telling reporters on August 27 that the US was carrying out provocative military maneuvers in the Canal Zone that were a "manifestation against Panamanian sovereignty." He indicated the issue would be formally raised at the conference. Echoing Tack, another Panamanian delegate warned that Panama will recover the Zone "through negotiations or other means."

The day before, however, Lieutenant Colonel Noriega, G-2 of the National Guard, had called US military authorities with advance warning of Tack's charges. In addition, an editorial in one of the government-controlled papers, while terming the US maneuvers a provocation, counseled patience and caution so as to avoid obstructing the negotiations. Panama's Washington ambassador has also notified the US that Panama will conduct "parallel military maneuvers" next week.

US treaty negotiator Ambassador Bunker is due to arrive in Panama for the next round of negotiations on September 4 and, despite the theatrics at Lima, Panama is still approaching the talks with cautious optimism as its only realistic near-term option.

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SPAIN

The Spanish government's new crackdown on political dissent could inspire protests that might test the cohesiveness of Spain's dominant political and military forces.

A tough new antiterrorist law, approved by the cabinet last Friday, imposes an automatic death penalty on anyone convicted of killing a member of the security forces. The law also prescribes the same sentence in cases where a kidnaping results in the death of a hostage. The decree will be applied retroactively to at least 16 accused terrorists already under detention.

The first test of the law began yesterday in the trial of two Basques charged with killing a member of the paramilitary civil guard. Spaniards are likely to compare the trial with the famous Burgos trial of 1970, in which six Basque terrorists were sentenced to death.

Franco commuted their sentences to 30 years imprisonment, but not before the verdict had led to widespread demonstrations, involving students, workers, and the church, and adverse reaction from abroad. The affair also revealed serious disagreements among various sectors of the power elite as to the direction future developments in Spain should take.

If a similar storm of protest arises this time, the strain on Spain's ruling circles could be compounded by publicity given to the cases of the military officers recently arrested for political activity. Counsel for the defendants is reportedly considering the tactic of trying to focus as much national and international attention on the case as possible.

The antiterrorist law's provision for closing newspapers that show sympathy for the terrorists and the government's recent threat to resort to legal action against papers spreading rumors about Franco's stepping down are likely to add fuel to opposition protests and further divide regime supporters. The current editions of three of Spain's most influential weekly newspapers were seized on August 27, the day the new law came into effect.

Differences already exist within the government and military on such questions as the handling of dissent, the proper way to deal with terrorists, and the general advisability of looser political controls. Those favoring a tough approach have seemed to be in the ascendancy recently.

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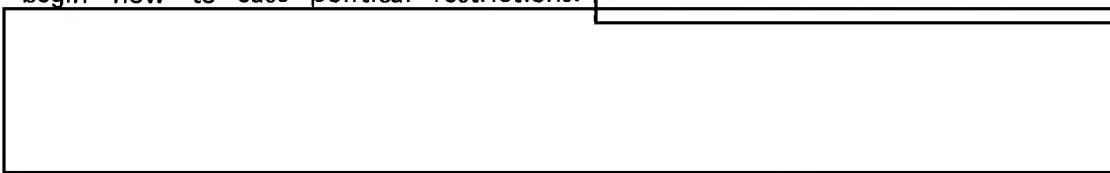
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A strong reaction, however, could lead to a more forceful stand by some Spanish leaders, such as Prime Minister Arias, who are seeking to improve Spain's image and who believe the only way to achieve a smooth transfer of power is to begin now to ease political restrictions.



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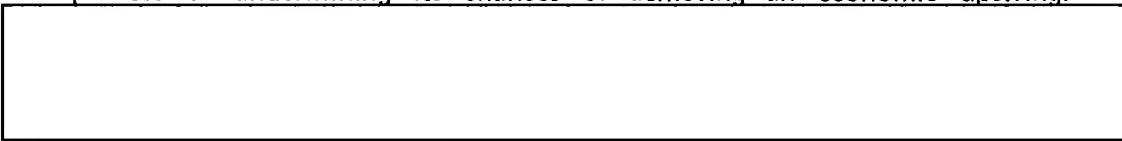
WEST GERMANY

Although Bonn announced Wednesday a one-time infusion of \$2.2 billion into the economy, the government already is hinting that spending increases next year will be held to a minimum. The stimulus—largely to the severely depressed construction industry—will be applied quickly to short-term projects that concentrate impact.

At best, the program will keep some 50,000 to 75,000 construction workers off the unemployment rolls. The rise in federal spending is equivalent to only 0.5 percent of gross national product, and even this will be offset in part by the continuing retrenchment in government spending at the state and local levels.

The new program, plus a \$2.5-billion budget supplement to keep the unemployment insurance system viable, will push the federal deficit to about \$15 billion this year. Anticipation of a similar deficit next year, which would be unpopular with West German voters during a national election, has led to plans to hold spending increases to under 7 percent next year, following the budgeted growth of 21 percent this year.

Although the government may not be completely successful, in real terms, the effect will be almost no growth in government spending. By implication, Bonn is banking on a revival of foreign and private domestic demand—not stimulus from government spending—to produce the lion's share of growth in 1976. With no clear sign that either foreign or domestic private demand is on the rise, Bonn may be in the process of undermining its chances of achieving an economic upswing.



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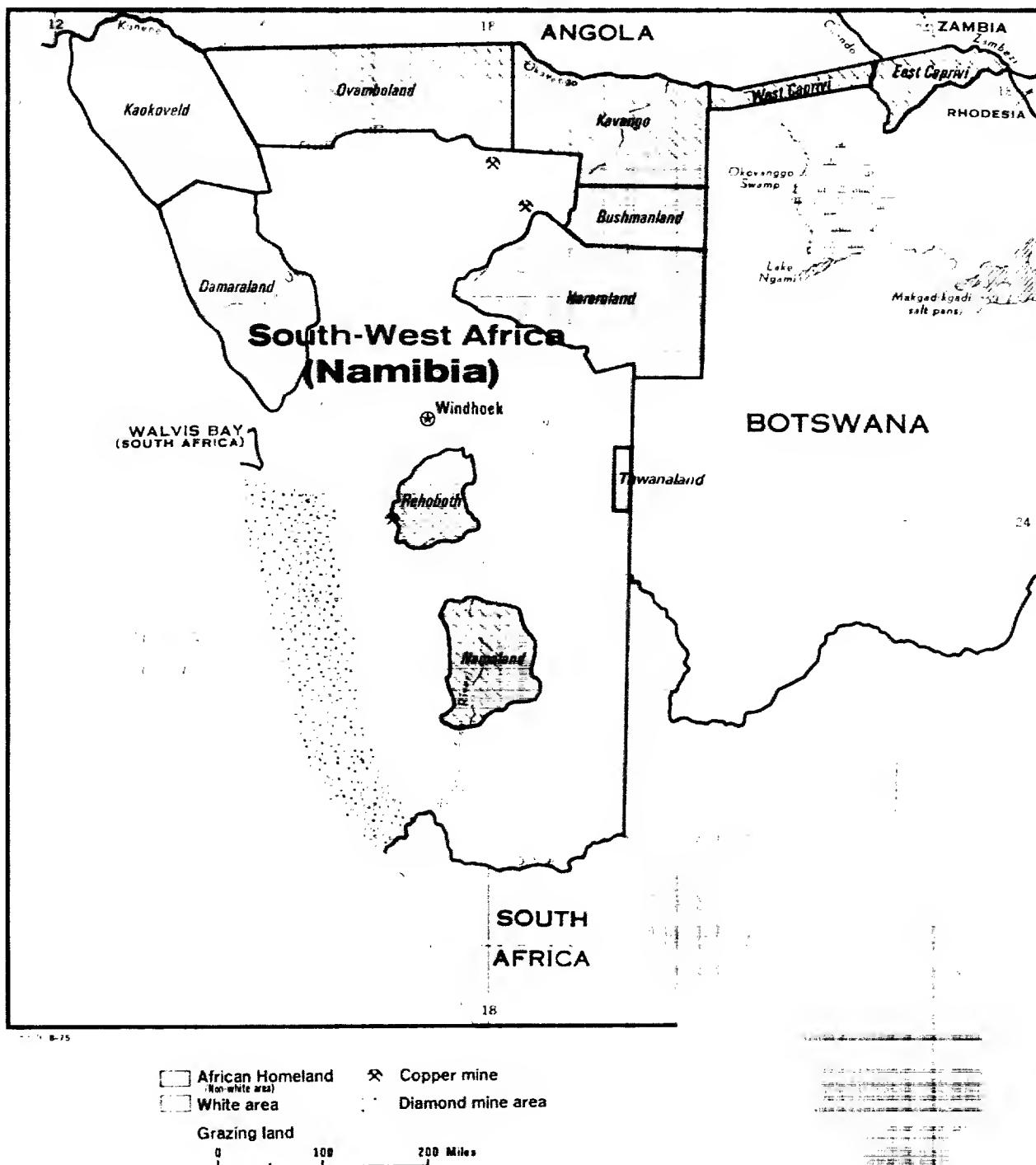
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NAMIBIA

A constitutional conference on the future of Namibia (South-West Africa), opens in Windhoek, the territorial capital, on September 1. It is sponsored by the South African government.

South African Prime Minister Vorster claims that the delegates, representing most of the territory's 12 ethnic groups, are free to choose any form of government for Namibia—even independence for the whole territory as a unified state. Arrangements for the conference, however, make almost inevitable the emergence of a loose federal system that would maintain white control of the territory's major mineral resources.

The delegates to the conference have been chosen indirectly by legislative or advisory bodies formed for every ethnic group. A few of the legislative councils for non-white groups have been popularly elected, but even the elected bodies are dominated by old-line tribal chiefs who usually have gone along with South African tutelage.

The South Africans say that all ethnic groups in Namibia are to have equal standing in the conference, although the groups vary widely in numbers and capabilities for autonomous existence. Some 90,000 whites comprise only 12 percent of the population, yet the sector of the territory that is reserved for whites includes much of the better grazing lands as well as the rich diamond and copper mines that contribute substantially to the South African economy. On the other hand, the Ovambo tribe makes up almost half of the population, but Ovamboland, situated along the Angolan border, has inadequate resources. Ovambos provide most of the unskilled labor for the mines.

Pretoria apparently reasons that fear of Ovambo domination will motivate delegates from the smaller tribes to back the whites in voting for a federal system that will perpetuate the present ethnic homelands. Although the Ovambos theoretically might control a popularly elected central government, the tribal leaders who will go to the conference actually want maximum autonomy for Ovamboland.

A federation might involve no more than cosmetic changes in the South African policy of separate development that has long incurred broad international censure. Although some of the "petty apartheid" rules that Pretoria has applied in the white sector of Namibia have already been lifted, Vorster has not proposed to abandon the basic discriminatory measures that have kept non-whites from advancing in the territory's modern industries.

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Inside Namibia, the most articulate opposition to separate development has come from the South-West African People's Organization, which wants Namibia to have a unified, popularly elected government. Although its membership is predominantly Ovambo, the People's Organization is the only Namibian nationalist group that is recognized by the UN or the Organization of African Unity. Its foreign-based guerrillas have seldom penetrated Namibian territory, but its youth wing organized a highly effective boycott of Ovambo legislative elections in 1973—the first popular elections to be held in Namibia. To offset the fiasco, South African administrators held a new election in Ovamboland last January and achieved a 55-percent turnout of eligible voters.

Vorster may have no illusions that the outcome of the constitutional conference will be acceptable to the UN. His primary intention is to show that there is no serious Namibian opposition to separate development. If Vorster's case is to gain credence, the proceedings of the conference must be publicized and any draft constitution must eventually be submitted to a freely conducted referendum. Meanwhile, the South African and tribal authorities must refrain from the mass arrests of nationalists they employed in 1973 during the Ovambo elections.

Vorster's strategy has already been threatened by the assassination of the Ovambo prime minister on August 16. Although the identity of the assassin is unknown, the deed has been applauded by several exiled leaders of the People's Organization, and the principal chief of the Herero ethnic group claims that agents of the People's Organization are plotting his death. The South Africans have reinforced their security forces in Namibia and arrested some members of the People's Organization, but they have not clamped down on the whole group.

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